



China Sourcing Update

November 30, 2016

Price index for US imports from China

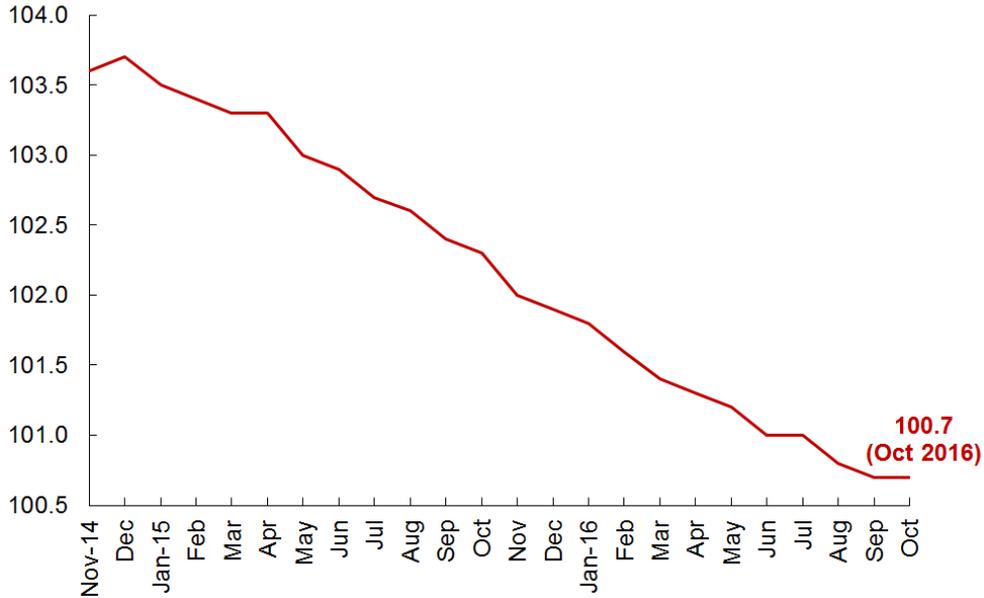
Price index for US imports from China stays stable

Compiled by the US Department of Labor, the price index for US imports from China came in at 100.7 in October, the same as in the previous month, after trending downward throughout January 2015 to September this year (*see exhibit 1*).

In our view, a possible reason for the flat reading in October was that the impact of the depreciation of the Chinese yuan against the US dollar was offset by the rise in ex-factory prices of Chinese products in Renminbi terms: China's producer price index of industrial products (PPI) rose by 0.7% mom in October.

Going forward, the ex-factory prices of Chinese products are expected to rise further in the near term. However, the daily fixing rate of the Chinese yuan depreciated against the US dollar by 1.8% during November, and is expected to depreciate further in the near future. All in all, we predict that the price index for US imports from China will stay low in the coming months.

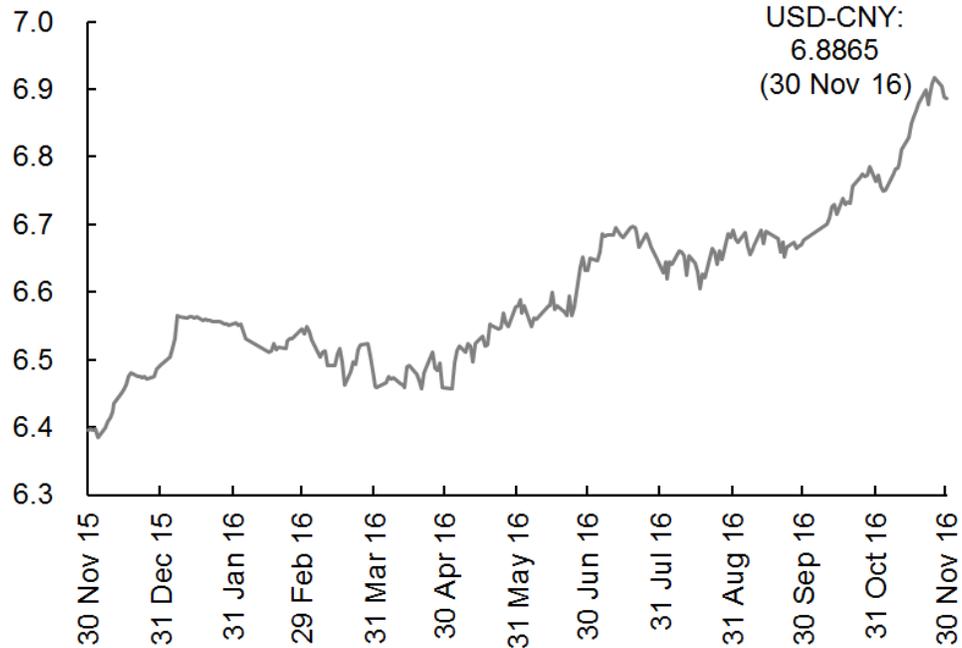
Exhibit 1: Price index for US imports from China, November 2014 to October 2016



Source: US Department of Labor

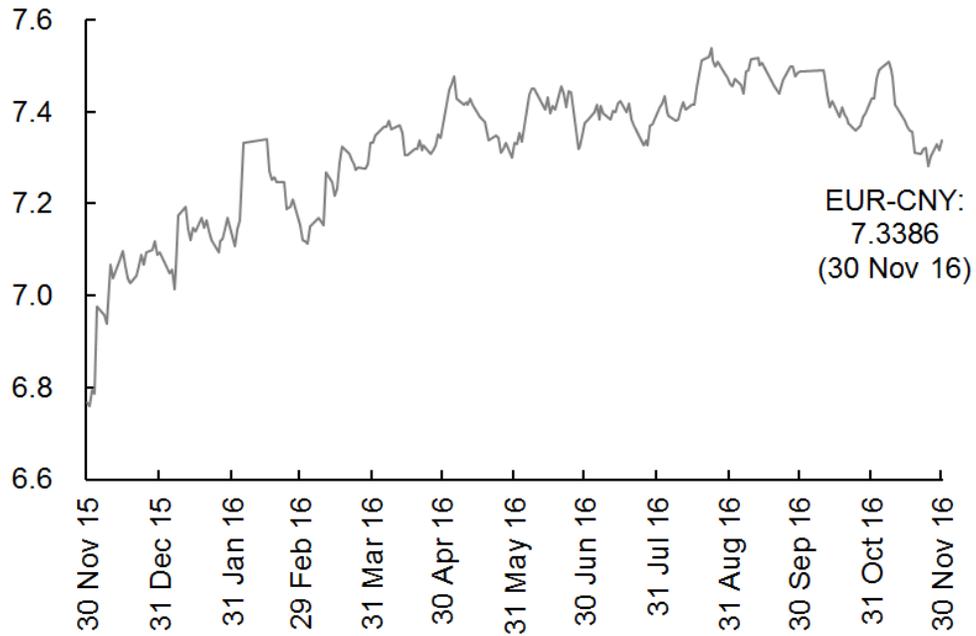
Exchange Rates

Exhibit 1: USD-CNY daily fixing rate, November 2015 to November 2016



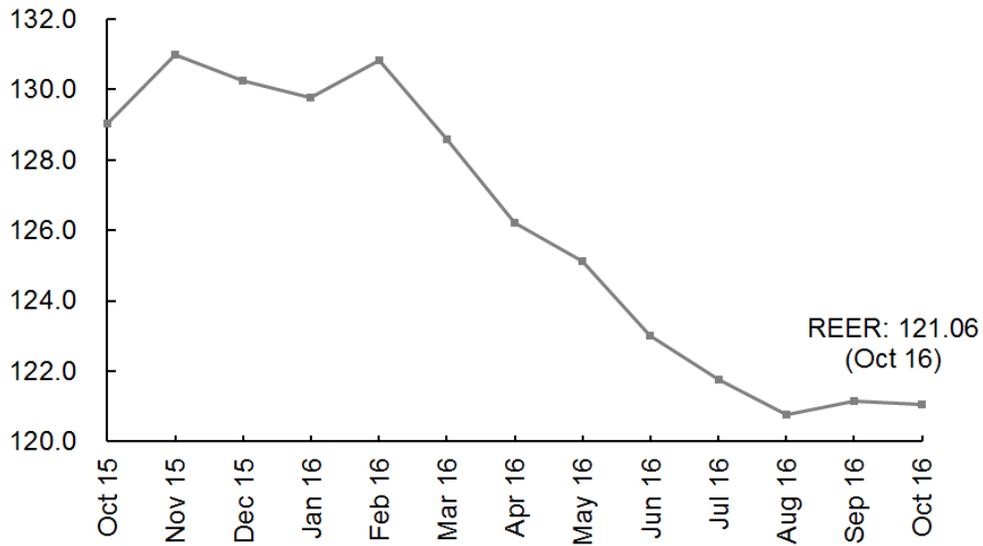
Source: State Administration of Foreign Exchange

Exhibit 2: EUR-CNY daily fixing rate, November 2015 to November 2016



Source: State Administration of Foreign Exchange

Exhibit 3: Real effective exchange rate of the Chinese yuan, October 2015 to October 2016



Source: Bank of International Settlements

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